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ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1948

MANGEL STORES CORPORATION

AND SUBSIDIARIES

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Since 1938, Mangel Stores Corporation has established a program of improving and modernizing profitable stores and closing unprofitable units. The results of this basic policy find reflection in the following tables:

Year Ending December 31	Number of Stores	Net Sales	Net Working Capital
1942	97	$15,566,237	$1,316,707
1943	97	20,684,145	1,706,992
1944	95	22,425,419	2,283,623
1945	94	23,446,407	3,492,815
1946	92	21,745,066	2,910,000
1947	90	22,673,345	3,009,757
1948	89	27,081,382	3,373,724

Year Ending December 31	Provision for Federal Taxes	Transferred to Surplus	Earnings Per Common Share
1942	$ 911,335	$564,830	$2.64
1943	1,681,469	799,748	4.14
1944	2,133,812	933,026	4.89
1945	2,072,438	917,976	3.57*
1946	459,604	653,857	2.55
1947	382,845	691,981	2.69
1948	559,369	993,596	3.87

*By reason of the conversion during 1945 of 17,495 shares of convertible preferred stock for 104,970 shares of common, there were outstanding at December 31, 1945, 256,802 shares of common stock as against 176,755 shares of common stock at December 31, 1944. There is no change in the number of shares of common stock outstanding at December 31, 1948.

February 18, 1949.

To the Stockholders of

MANGEL STORES CORPORATION:

There are presented herewith the consolidated statement of income of the Corporation and subsidiaries for the year ended December 31, 1948 and the consolidated balance sheet as of that date.

The sales for the year were $27,081,382 as compared with $22,673,345 the previous year, an increase of $4,408,037, or 19.44%. The net income after taxes for the year was $993,596 as compared with $691,981, an increase of $301,615, or 43.59%. Both the sales and the net profit after taxes are new highs in the history of your Company. This was accomplished with approximately the same number of stores as the previous year. Working capital increased from $3,009,757 to $3,373,724.

The regular quarterly dividends of 25c per share were paid during the year 1948, and it is the desire of your management to continue at this rate until such time as its present plans for improvements and expansions have been completed.

In line with our policy to improve and expand existing units where justified, four enlarged units will be opened before Easter in Miami, Jacksonville and Pensacola, Florida and Fond du Lac, Wisconsin. In addition, it is contemplated to enlarge and improve approximately six additional units during the balance of this year.

The responsibility and the results of the operation of this business as shown on the following financial statements reflect the untiring efforts of the executives of the Operating Committee. Your Board of Directors believe that it is to the best interest of the stockholders and the Company that these executives be compensated more in keeping with earnings for similar positions — and that such compensation be based on the results attained by them. Your Board of Directors therefore, has recommended a plan of compensation for these executives as more fully explained in the accompanying proxy statement.

In the opinion of the management, 1949 finds your Corporation in excellent financial condition and in a position to advantageously meet present conditions and those that can be foreseen in the future.

Respectfully submitted,

SOL MANGEL,
President.

MANGEL STORE

AND SUBS

CONSOLIDATED BALANCE SHEE

ASSETS

CURRENT ASSETS:			
Cash on hand and in banks			$1,821,515.39
United States Bonds and Treasury Certificates — at cost, plus accrued interest			20,617.72
Note receivable			26,111.04
Accounts receivable — less reserve (including employees' accounts)			1,406,692.14
Merchandise inventory — at the lower of cost or market, based upon the retail method of inventory valuation			2,321,333.35
TOTAL CURRENT ASSETS			5,596,269.64
OTHER ASSETS:			
Loans to employees — less reserve		$ 10,597.81	
Sundry deposits and investments		4,258.40	
Estimated refund of Federal taxes on income under carry-back provisions of the Internal Revenue Code		88,350.00	103,206.21
FIXED ASSETS:			
Real estate — (at values as appraised for the management in June 1932 with subsequent additions at cost) — subject to mortgages shown contra	$ 324,081.55		
Less: Reserve for depreciation	31,349.64	292,731.91	
Furniture and fixtures, leasehold improvements and truck — at cost	4,300,505.95		
Less: Reserves for depreciation and amortization	1,761,132.61	2,539,373.34	2,832,105.25
ADVANCES FOR LEASEHOLD IMPROVEMENTS			87,724.74
DEFERRED CHARGES:			
Unexpired insurance		72,421.25	
Prepaid taxes, expenses, etc.		122,154.44	
Stationery and supplies		6,350.00	200,925.69
GOODWILL			1.00
			$8,820,232.53

The Notes to Accounts, appended hereto, are an integral p

NOTES TO ACCOUNTS

NOTE A—Under a loan agreement dated July 1, 1947 the corporation borrowed from a bank an aggregate amount of $1,000,000.00 evidenced by ten (10) notes, of $100,000.00 each, due semi-annually from January 1, 1948 to July 1, 1952. The notes due January 1 and July 1, 1948 were paid during the year 1948.

The provisions of the loan agreement place certain restrictions on the creation of other loans and the depletion of consolidated working capital and provide that dividends will not be declared or paid subsequent to July 1, 1947 except out of consolidated net earnings subsequent to December 31, 1946 and that such dividends will be limited to $257,000.00 per year, plus 25% of any such earnings in excess of $257,000.00 in any one year.

EXHIBIT A

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IDIARIES

T AS AT DECEMBER 31, 1948

LIABILITIES

CURRENT LIABILITIES:			
Notes payable — bank, due within one year — Note A			$ 200,000.00
Accounts payable — merchandise, less discounts			269,752.73
Accounts payable — expenses, taxes, etc. — Note C			1,037,895.17
Customers' deposits on layaway sales			77,562.63
Customers' credits			27,208.34
Mortgage installments payable within one year			5,974.44
Reserve for Federal income taxes			604,152.56
TOTAL CURRENT LIABILITIES			2,222,545.87
NOTES PAYABLE — Bank, Less Notes Due Within One Year Shown Above—Note A			600,000.00
MORTGAGES ON REAL ESTATE PAYABLE IN INSTALLMENTS—Less Current Installments Shown Above:			
Mortgage payable through September 1, 1964		$ 97,114.57	
Mortgage payable through January 1, 1966		50,573.50	147,688.07
TOTAL LIABILITIES			2,970,233.94
CAPITAL STOCK AND SURPLUS:			
Common Stock—Par Value $1.00 Per Share:			
Authorized	300,000 shares		
Issued	282,470 shares	$282,470.00	
Less: Treasury stock	25,668 shares	25,668.00	
Outstanding	256,802 shares		256,802.00	
Surplus — Exhibit B — Notes A and B:			
Capital surplus		789,506.00	
Earned surplus — since January 1, 1936		4,803,690.59	5,593,196.59	5,849,998.59
			$8,820,232.53

art of this statement and should be read in conjunction herewith.

Under these provisions, an amount of $1,300,374.37 of the aggregate surplus at December 31, 1948 is not subject to the dividend restrictions, except that the maximum dividend payment out of this amount in any one year is limited to $257,000.00.

NOTE B—The consolidated earned and capital surplus includes undistributed earnings of subsidiaries which may be subject to Federal income taxes if and when received by the parent company in the form of dividends.

NOTE C—Cost of sales, general, administrative and selling expenses include a charge of $65,540.30, the corresponding credit being included in accounts payable — expenses, taxes, etc. The payment of this amount is subject to the approval by stockholders of a proposed plan to pay certain executives of the corporation additional and incentive remuneration over and above their regular salaries.

GENERAL—The accompanying financial statements are subject to final determination of Federal, state and local taxes.

EXHIBIT B

MANGEL STORES CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1948

CAPITAL SURPLUS — Notes A and B:		
Balance as at December 31, 1947 and December 31, 1948—Exhibit A		$ 789,506.00
EARNED SURPLUS (Since January 1, 1936)—Notes A and B:		
Balance as at December 31, 1947	$4,066,896.22	
Add: Net income for the year—Exhibit C	993,596.37	
	5,060,492.59	
Less: Dividends paid on common stock at the rate of $1.00 per share	256,802.00	
EARNED SURPLUS (Since January 1, 1936) as at December 31, 1948—Exhibit A		4,803,690.59
		$5,593,196.59

The Notes to Accounts, appended hereto, are an integral part of this statement and should be read in conjunction herewith.

EXHIBIT C

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1948

Net sales, including leased departments' sales	$27,081,382.43
Cost of sales, general, administrative and selling expenses—Note C	25,209,526.98
	1,871,855.45
Provision for depreciation	349,909.25
	1,521,946.20
Other income, less other charges	31,019.26
Net income for the year before Federal income taxes	1,552,965.46
Provision for Federal income taxes	559,369.09
Net income for the year transferred to earned surplus—Exhibit B	$ 993,596.37

The Notes to Accounts, appended hereto, are an integral part of this statement and should be read in conjunction herewith.

ACCOUNTANTS' REPORT

To the Board of Directors
Mangel Stores Corporation
New York, N. Y.

We have examined the consolidated balance sheet of the Mangel Stores Corporation and subsidiaries as at December 31, 1948 and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus, together with the notes to accounts, present fairly the consolidated financial position of the Mangel Stores Corporation and subsidiaries at December 31, 1948, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
February 14, 1949

S. D. Leidesdorf & Co.

MANGEL STORES

ARE LOCATED IN THE FOLLOWING CITIES

ALTOONA, PA.
AMARILLO, TEXAS
ANNISTON, ALA.
ASHEVILLE, N. C.
ATLANTA, GA.
AUBURN, N. Y.
AUGUSTA, GA.
AUSTIN, TEXAS
BATON ROUGE, LA.
BEAUMONT, TEXAS
BIRMINGHAM, ALA.
BLUEFIELD, W. VA.
CHARLESTON, S. C.
CHARLESTON, W. VA.
CHARLOTTE, N. C.
CHATTANOOGA, TENN.
CHICAGO, ILL.
COLUMBIA, S. C.
COLUMBUS, GA.
CORPUS CHRISTI, TEXAS
CLINTON, IOWA
DALLAS, TEXAS
DAVENPORT, IOWA
DULUTH, MINN.
FOND DU LAC, WIS.
FORT SMITH, ARK.
GREEN BAY, WIS.
GREENSBORO, N. C.
GREENVILLE, S. C.
HOUSTON, TEXAS
HOT SPRINGS, ARK.
HUNTINGTON, W. VA.
JACKSONVILLE, FLA.
JACKSON, TENN.
JACKSON, MISS.
JAMESTOWN, N. Y.
JOHNSTOWN, PA.
JOPLIN, MO.
KANSAS CITY, MO.
KNOXVILLE, TENN.
LAREDO, TEXAS
LINCOLN, NEB.
LEXINGTON, KY.
LITTLE ROCK, ARK.
LYNCHBURG, VA.
MADISON, WIS.
MACON, GA.
MEMPHIS, TENN.
MERIDIAN, MISS.
MIAMI, FLA.
MIAMI BEACH, FLA.
MOBILE, ALA.
MONROE, LA.
MONTGOMERY, ALA.
MUSKOGEE, OKLA.
NEW ORLEANS, LA.
OMAHA, NEB.
ORLANDO, FLA.
OSHKOSH, WIS.
PADUCAH, KY.
PENSACOLA, FLA.
PHILADELPHIA, PA.
PINE BLUFF, ARK.
RALEIGH, N. C.
ROCKFORD, ILL.
SAVANNAH, GA.
SAN ANTONIO, TEXAS
SELMA, ALA.
SHEBOYGAN, WIS.
SHAWNEE, OKLA.
STEUBENVILLE, OHIO
ST. LOUIS, MO.
ST. PAUL, MINN.
SPARTANBURG, S. C.
SPRINGFIELD, MO.
SYRACUSE, N. Y.
TAMPA, FLA.
TEXARKANA, TEXAS
TUSCALOOSA, ALA.
WACO, TEXAS
WATERTOWN, N. Y.
WHEELING, W. VA.
ZANESVILLE, OHIO

MANGEL STORES CORPORATION

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